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Attorney for Debtor

UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEVADA

—ooOoo—

In Re:

Case No. BK-N-09-53905-GWZ
Chapter 11

JOSEPH W. ARRIOLA, SR.,

Debtor.

Hearing Date: *(To Be Scheduled*
Hearing Time: *After DS Approval)*

DEBTOR'S
PLAN OF REORGANIZATION

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1 **1. INTRODUCTION**

2 Debtor, JOSEPH W. ARRIOLA, SR., an individual, (hereinafter “Debtor”), filed its
3 petition for relief under Chapter 11 of the Bankruptcy Code on November 2, 2009. This
4 Plan of Reorganization (the “Plan”) is a proposal to creditors to resolve the debts owed on
5 the date of filing the petition.

6 The Plan must receive creditor approval and the Court must find that it meets the
7 requirements of the law in order to be confirmed. If this Plan is not confirmed, then the
8 Court may allow:

- 9 A. The case to be dismissed;
- 10 B. The Debtor and others to draft another plan; or
- 11 C. The case to be converted to a Chapter 7 proceeding, with the assets of the
12 Debtor being sold in liquidation and the proceeds distributed in accordance with the
13 Bankruptcy Code.

14 Creditors are reminded that the Debtor has prepared and filed a Disclosure Statement
15 that provides information about the Debtor and its past operations.

16 **2. DEFINITIONS**

17 Whenever from the context it appears appropriate, each term stated in either the
18 singular or the plural shall include the singular and the plural, and pronouns stated in the
19 masculine, feminine or neuter gender shall include the masculine, the feminine and the
20 neuter. Any capitalized term not defined herein that is defined in the Bankruptcy Code shall
21 have the meaning ascribed to it in the Bankruptcy Code. Unless the context requires
22 otherwise, the following words and phrases shall have the meanings set forth below when
23 used in this Plan:

24 (A) ***“Administrative Claims.”*** Claims arising during the administration of both
25 Debtor’s Chapter 11 cases entitled to priority under Section 507(a)(1) of the Bankruptcy
26 Code. As required by the Bankruptcy Code, holders of such Allowed Administrative Claims
27 against Debtor shall receive cash in the amount of such allowed claim on the Effective Date.

28 (B) ***“Allowed Claim.”*** This term will refer to and mean every claim: (i) as to which

1 a proof of claim has been filed with the Court within the time fixed by the Court or, if such
2 claim arises from the Debtor's rejection of an unexpired lease or other executory contract,
3 within thirty (30) days after the Effective Date of the Plan, or (ii) which is scheduled as of
4 the Confirmation Date of the Plan in the schedules filed by the Debtor or amended by the
5 Debtor as of said date, and is liquidated in amount and undisputed; and in either of the above
6 events, as to which no objection to allowance of such claim or request for subordination
7 thereof has been filed within any applicable time period fixed by the Court or as to which an
8 order allowing such claim and establishing its priority has become final and non-appealable.
9 An allowed secured claim shall include all accrued interest and attorneys fees, to the extent
10 the same are allowable under 11 U.S.C. § 506, and to the extent attorneys fees are reasonable
11 or are approved by the Bankruptcy Court after notice and hearing.

12 (C) ***"Bankruptcy Code."*** This term means the Bankruptcy Code of 1978, as
13 codified in Title 11 of the United States Bankruptcy Code by Public Law 95-598, including
14 all amendments thereof and thereto.

15 (D) ***"Bankruptcy Court."*** This term means the United States Bankruptcy Court
16 for the District of Nevada, Reno, or such other court as has jurisdiction of these Chapter 11
17 cases.

18 (E) ***"Claim."*** This term means any right to payment, whether or not such right is
19 reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured,
20 disputed, undisputed, legal, equitable, secured or unsecured; or any right to an equitable
21 remedy for breach of performance, if such breach gives rise to a right to payment, whether
22 or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured,
23 unmatured, disputed, undisputed, secured or unsecured.

24 (F) ***"Code."*** This term means Title 11, United States Code.

25 (G) ***"Confirmation Date."*** This term will refer to and mean the date on which the
26 Court enters its Order confirming Debtor's Plan of Reorganization, or any subsequently
27 amended plan of reorganization.

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(H) ***“Debtor.”*** The term Debtor means JOSEPH W. ARRIOLA, SR., the Chapter 11 Debtor in Case No. BK-N-09-53905-GWZ.

(I) ***“Disclosure Statement.”*** Disclosure Statement means the Disclosure Statement filed by the Debtor, as approved by the Bankruptcy Court.

(J) ***“Effective Date.”*** This term shall mean the date which is the first day of the month at least thirty (30) days following the Confirmation Date.

(K) ***“Petition Filing Date.”*** This term shall refer to November 2, 2009, the date on which Debtor filed its voluntary petition commencing the above-captioned Chapter 11 case.

(L) ***“Plan.”*** This term shall refer to Debtor’s Plan of Reorganization, together with any amendments or modifications thereto as may hereafter be filed by the Debtor.

(M) ***“Reorganized Debtor.”*** This term means JOSEPH W. ARRIOLA, SR., following the Confirmation Date.

3. **CLAIMS AND INTERESTS**

3.1 **Classification of Claims and Interests**

Pursuant to Section 1122 of the Bankruptcy Code, set forth below is a designation of classes of Claims and Interests. Administrative Claims and Priority Claims of the kinds specified in Sections 507(a)(1) and 507(a)(8) of the Bankruptcy Code have not been classified and are excluded from the following classes in accordance with Section 1123(a)(1) of the Bankruptcy Code.

Class 1: Allowed Secured Claim of BAC-1, (hereinafter “BAC-1”) as evidenced by a first deed of trust on the property located at 2020 Del Rio, Reno, Nevada (the “Del Rio Property”).

Class 2: Allowed Secured Claim of BAC-2, (hereinafter “BAC-2”) as evidenced by a second deed of trust on the property located at 2020 Del Rio, Reno, Nevada (the “Del Rio Property”).

Class 3: Allowed Secured Claim of Wells Fargo Bank, (hereinafter “Wells Fargo”) as evidenced by a first deed of trust on the property located at 39900 Forest Road, Big Bear Lake, California (the “Forest Rd. Property”).

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1 Class 4: Allowed Secured Claim of Evergreen Note Servicing, (hereinafter
2 "Evergreen") as evidenced by a first deed of trust on the property
located at 1590 Clough Rd., Reno, Nevada the "Clough Rd. Property").

3 Class 5: Allowed Secured Claim of Indy Mac, (hereinafter "Indy Mac") as
4 evidenced by a first deed of trust on the property located at 248
Lagunitas, Big Bear Lake, California (the "Lagunitas Property").

5 Class 6: Allowed Secured Claim of Seaside Funding, Inc., (hereinafter
6 "Seaside") as evidenced by a first deed of trust on the property located
at 1983 H Street, South Lake Tahoe, California (the "H Street
Property").

7 Class 7: Allowed Secured Claim of Ron and Jan Taylor, (hereinafter "Taylor")
8 as evidenced by a first deed of trust on the property located at 113 E. Big
Bear Blvd., Big Bear City, California (the "Big Bear Blvd. Property").

9 Class 8: Allowed Secured Claim of Wachovia Mortgage-1, (hereinafter
10 "Wachovia-1") as evidenced by a first deed of trust on the property
located at 2725 Seaside, Albion, California (the "Seaside Property").

11 Class 9: Allowed Secured Claim of Wachovia Mortgage-2, (hereinafter
12 "Wachovia-2") as evidenced by a first deed of trust on the property
located at 7245 Great Oak, Las Vegas, Nevada (the "Great Oak
Property").

13 Class 10: Allowed Secured Claim of J.P. Morgan/Chase, (hereinafter "J.P.
14 Morgan/Chase") as evidenced by a first deed of trust on the property
located at 2641 William Ave., South Lake Tahoe, California (the
"William Ave. Property").

15 Class 11: Allowed Secured Claim of Keybank, (hereinafter "Keybank") as
16 evidenced by the Security Agreement and lien on title of the 2004
Suntracker Hull No. BUJ37091D404 (the "Suntracker").

17 Class 12: Allowed Secured Claim of GMAC, (hereinafter "GMAC") as evidenced
18 by the Security Agreement and lien on title of the 2005 Hummer VIN#
5GRGN23U05H122701 (the "Hummer").

19 Class 13: Allowed Claims of **unsecured creditors** of the Debtor not entitled to
20 priority under § 507 of the Bankruptcy Code and not otherwise included
21 in any other class hereof, including, without limitation, claims which
22 may arise out of the rejection of executory contracts. The total amount
23 due to unsecured creditors is \$647,181.25.

24 **3.2 Unimpaired Classes**

25 There are no unimpaired classes under the Plan.

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1 **4. TREATMENT OF CLAIMS AND INTERESTS**

2 Each creditor class shall be treated as follows:

3 **4.1 Class 1 (BAC-1 Secured Claim) (Del Rio Property):**

4 The **BAC-1 Secured Claim** shall be treated under the Plan as follows:

5 The automatic stay under Section 362 shall terminate as of the Effective Date,
6 and the Class 1 creditor shall be allowed to proceed with all its state law remedies, including
7 foreclosure.

8 **4.2 Class 2 (BAC-2 Secured Claim) (Del Rio Property):**

9 The **BAC-2 Secured Claim** shall be treated under the Plan as follows:

10 The automatic stay under Section 362 shall terminate as of the Effective Date,
11 and the Class 1 creditor shall be allowed to proceed with all its state law remedies, including
12 foreclosure.

13 **4.3 Class 3 (Wells Fargo Bank) (Forest Rd. Property):**

14 The Wells Fargo Secured Claim shall be treated under the Plan as follows:

15 **(A) Amount of the Wells Fargo Secured Claim**

16 The amount of the Wells Fargo Secured Claim shall be equal to the balance
17 owed on the Wells Fargo Note as of the Confirmation Date, including accrued interest and
18 reasonable attorney's fees.

19 **(B) Retention of Security Interest in Property and Rents**

20 Wells Fargo Bank shall retain its security interest in the property and rents as
21 evidenced by the Wells Fargo Deed of Trust in order to secure the Wells Fargo Note.

22 **(C) Payment of the Wells Fargo Secured Claim**

23 The Wells Fargo Secured Claim shall bear interest at the rate of 4.25% per
24 annum from and after the Effective Date, or such other rate as the Court shall determine is
25 appropriate after considering the evidence at the Confirmation Hearing (the "Wells Fargo
26 Bank Interest Rate") amortized over 30 years with the first payment due and continuing on
27 or before the 15th day of each month commencing on the 15th day of the next month following
28 the Effective Date, the Debtor shall pay to Wells Fargo the monthly payment.

1 **(D) Payment of the Wells Fargo Note**

2 The balance owed on the Wells Fargo Note, together with all accrued interest
3 and fees and costs due thereunder shall be paid on or before seven years following the
4 Effective Date.

5 **(E) Loan Documents Remain in Effect**

6 The Wells Fargo Note and the Wells Fargo Deed of Trust shall remain in full
7 force and effect, except as modified or by otherwise inconsistent with the Plan in which event
8 the terms of this Plan shall supersede.

9 **(F) Plan Default**

10 In the event of a default by the Debtor under the Plan, and in the event Debtor
11 fails to cure such default within 15 business days after the delivery of notice to the Debtor and
12 Debtor's counsel, Wells Fargo shall be entitled to enforce all of the terms of the Wells Fargo
13 Deed of Trust and the Wells Fargo Note, in addition to all rights available under California
14 law, including, without limitation foreclosure upon the property and the opportunity to credit
15 the entire amount of the Wells Fargo Note at any foreclosure sale.

16 **4.4 Class 4 (Evergreen Note Servicing) (Clough Rd. Property):**

17 The Evergreen Notice Servicing ("Evergreen") Secured Claim shall be treated
18 under the Plan as follows:

19 **(A) Amount of the Evergreen Secured Claim**

20 The amount of the Evergreen Secured Claim shall be equal to the balance owed
21 on the Evergreen Note as of the Confirmation Date, including accrued interest and reasonable
22 attorney's fees.

23 **(B) Retention of Security Interest in Property and Rents**

24 Evergreen shall retain its security interest in the property and rents as evidenced
25 by the Evergreen Deed of Trust in order to secure the Evergreen Note.

26 **(C) Payment of the Evergreen Secured Claim**

27 The Evergreen Secured Claim shall bear interest at the rate of 4.25% per annum
28 from and after the Effective Date, or such other rate as the Court shall determine is

appropriate at the Confirmation Hearing (the “Evergreen Interest Rate”) on or before the 15th day of each month commencing on the 15th day of the next month following the Effective Date, the Debtor shall pay to Evergreen the monthly payment.

(D) Payment of the Evergreen Note

The balance owed on the Evergreen Note, together with all accrued interest and fees and costs due thereunder shall be paid on or before seven years following the Effective Date.

(E) Loan Documents Remain in Effect

The Evergreen Note and the Evergreen Deed of Trust shall remain in full force and effect, except as modified or by otherwise inconsistent with the Plan in which event the terms of this Plan shall supersede.

(F) Plan Default

In the event of a default by the Debtor under the Plan, and in the event Debtor fails to cure such default within 15 business days after the delivery of notice to the Debtor and Debtor’s counsel, Evergreen shall be entitled to enforce all of the terms of the Evergreen Deed of Trust and the Evergreen Note, in addition to all rights available under California law, including, without limitation foreclosure upon the property and the opportunity to credit the entire amount of the Evergreen Note at any foreclosure sale.

4.5 Class 5 (Indy Mac Federal Bank) (Lagunitas Property):

The Indy Mac Federal Bank (“Indy Mac”) Secured Claim shall be treated under the Plan as follows:

The automatic stay under Section 362 shall terminate as of the Effective Date, and the Class 1 creditor shall be allowed to proceed with all its state law remedies, including foreclosure.

4.6 Class 6 (Seaside Funding Inc.) (H Street Property):

The Seaside Funding Inc. (“Seaside”) Secured Claim shall be treated under the Plan as follows:

1 The automatic stay under Section 362 shall terminate as of the Effective Date,
2 and the Class 1 creditor shall be allowed to proceed with all its state law remedies, including
3 foreclosure.

4 **4.7 Class 7 (Ron and Jan Taylor) (Big Bear Blvd. Property):**

5 The Ron and Jan Taylor ("Taylor") Secured Claim shall be treated under the
6 Plan as follows:

7 **(A) Amount of the Taylor Secured Claim**

8 The amount of the Taylor Secured Claim shall be equal to the balance owed on
9 the Taylor Note as of the Confirmation Date, including accrued interest and reasonable
10 attorney's fees.

11 **(B) Retention of Security Interest in Property and Rents**

12 Taylor shall retain its security interest in the property and rents as evidenced by
13 the Taylor Deed of Trust in order to secure the Taylor Note.

14 **(C) Payment of the Taylor Secured Claim**

15 The Taylor Secured Claim shall bear interest at the rate of 4.25% per annum
16 from and after the Effective Date, or such other rate as the Court shall determine is
17 appropriate at the Confirmation Hearing (the "Taylor Interest Rate") on or before the 15th day
18 of each month commencing on the 15th day of the next month following the Effective Date,
19 the Debtor shall pay to Taylor the monthly payment.

20 **(D) Payment of the Taylor Note**

21 The balance owed on the Taylor Note, together with all accrued interest and
22 fees and costs due thereunder shall be paid on or before seven years following the Effective
23 Date.

24 **(E) Loan Documents Remain in Effect**

25 The Taylor Note and the Taylor Deed of Trust shall remain in full force and
26 effect, except as modified or by otherwise inconsistent with the Plan in which event the terms
27 of this Plan shall supersede.

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1 **(F) Plan Default**

2 In the event of a default by the Debtor under the Plan, and in the event Debtor
3 fails to cure such default within 15 business days after the delivery of notice to the Debtor and
4 Debtor's counsel, Taylor shall be entitled to enforce all of the terms of the Taylor Deed of
5 Trust and the Taylor Note, in addition to all rights available under California law, including,
6 without limitation foreclosure upon the property and the opportunity to credit the entire
7 amount of the Taylor Note at any foreclosure sale.

8 **4.8 Class 8 (Wachovia Mortgage-1) (Seaside Property):**

9 The Wachovia Mortgage-1 Secured Claim shall be treated under the Plan as
10 follows:

11 **(A) Amount of the Wachovia Mortgage-1 Secured Claim**

12 The amount of the Wachovia Mortgage-1 Secured Claim shall be equal to the
13 balance owed on the Wachovia Mortgage-1 Note as of the Confirmation Date, including
14 accrued interest and reasonable attorney's fees.

15 **(B) Retention of Security Interest in Property and Rents**

16 Wachovia Mortgage-1 shall retain its security interest in the property and rents
17 as evidenced by the Wachovia Mortgage-1 Deed of Trust in order to secure the Wachovia
18 Mortgage-1 Note.

19 **(C) Payment of the Wachovia Mortgage-1 Secured Claim**

20 The Wachovia Mortgage-1 Secured Claim shall bear interest at the rate of
21 4.25% per annum from and after the Effective Date, or such other rate as the Court shall
22 determine is appropriate at the Confirmation Hearing (the "Wachovia Mortgage-1 Interest
23 Rate") on or before the 15th day of each month commencing on the 15th day of the next month
24 following the Effective Date, the Debtor shall pay to Wachovia Mortgage-1 the monthly
25 payment.

26 **(D) Payment of the Wachovia Mortgage-1 Note**

27 The balance owed on the Wachovia Mortgage-1 Note, together with all
28 accrued interest and fees and costs due thereunder shall be paid on or before seven years

1 following the Effective Date.

2 **(E) Loan Documents Remain in Effect**

3 The Wachovia Mortgage-1 Note and the Wachovia Mortgage-1 Deed of Trust
4 shall remain in full force and effect, except as modified or by otherwise inconsistent with the
5 Plan in which event the terms of this Plan shall supersede.

6 **(F) Plan Default**

7 In the event of a default by the Debtor under the Plan, and in the event Debtor
8 fails to cure such default within 15 business days after the delivery of notice to the Debtor and
9 Debtor's counsel, Wachovia Mortgage-1 shall be entitled to enforce all of the terms of the
10 Wachovia Mortgage-1 Deed of Trust and the Wachovia Mortgage-1 Note, in addition to all
11 rights available under California law, including, without limitation foreclosure upon the
12 property and the opportunity to credit the entire amount of the Wachovia Mortgage-1 at any
13 foreclosure sale.

14 **4.9 Class 9 (Wachovia Mortgage-2) (Great Oak Property):**

15 The automatic stay under Section 362 shall terminate as of the Effective Date,
16 and the Class 1 creditor shall be allowed to proceed with all its state law remedies, including
17 foreclosure.

18 **4.10 Class 10 (JPMorgan/Chase) (William Ave. Property):**

19 The JPMorgan/Chase Secured Claim shall be treated under the Plan as follows:

20 **(A) Amount of the JPMorgan/Chase Secured Claim**

21 The amount of the JPMorgan/Chase Secured Claim shall be equal to the balance
22 owed on the JPMorgan/Chase Note as of the Confirmation Date, including accrued interest
23 and reasonable attorney's fees.

24 **(B) Retention of Security Interest in Property and Rents**

25 JPMorgan/Chase shall retain its security interest in the property and rents as
26 evidenced by the JPMorgan/Chase Deed of Trust in order to secure the JPMorgan/Chase Note.

27 **(C) Payment of the JPMorgan/Chase Secured Claim**

28 The JPMorgan/Chase Secured Claim shall bear interest at the rate of 4.25% per

1 annum from and after the Effective Date, or such other rate as the Court shall determine is
2 appropriate at the Confirmation Hearing (the “JPMorgan/Chase Interest Rate”) on or before
3 the 15th day of each month commencing on the 15th day of the next month following the
4 Effective Date, the Debtor shall pay to JPMorgan/Chase the monthly payment.

5 **(D) Payment of the JPMorgan/Chase Note**

6 The balance owed on the JPMorgan/Chase Note, together with all accrued
7 interest and fees and costs due thereunder shall be paid on or before seven years following the
8 Effective Date.

9 **(E) Loan Documents Remain in Effect**

10 The JPMorgan/Chase Note and the JPMorgan/Chase Deed of Trust shall remain
11 in full force and effect, except as modified or by otherwise inconsistent with the Plan in which
12 event the terms of this Plan shall supersede.

13 **(F) Plan Default**

14 In the event of a default by the Debtor under the Plan, and in the event Debtor
15 fails to cure such default within 15 business days after the delivery of notice to the Debtor and
16 Debtor’s counsel, JPMorgan/Chase shall be entitled to enforce all of the terms of the
17 JPMorgan/Chase Deed of Trust and the JPMorgan/Chase Note, in addition to all rights
18 available under California law, including, without limitation foreclosure upon the property
19 and the opportunity to credit the entire amount of the JPMorgan/Chase at any foreclosure sale.

20 **4.11 Class 11 (Keybank):**

21 The Keybank Secured Claim shall be treated under the Plan as follows:

22 **(A) Amount of the Keybank Secured Claim**

23 The amount of the Keybank Secured Claim shall be equal to the balance owed
24 on the Keybank Note as of the Confirmation Date, including accrued interest and reasonable
25 attorney’s fees.

26 **(B) Retention of Security Interest in Collateral**

27 Keybank shall retain its security interest in the Suntracker as evidenced by the
28 Keybank Security Interest in order to secure the Keybank Note.

1 **(C) Payment of the Keybank Secured Claim**

2 The Keybank Secured Claim shall bear interest at the rate of 4.25% per annum
3 from and after the Effective Date, or such other rate as the Court shall determine is
4 appropriate at the Confirmation Hearing (the Keybank Interest Rate”) amortized over 60
5 months on or before the 15th day of each month commencing on the 15th day of the next month
6 following the Effective Date, the Debtor shall pay to Keybank equal monthly payments.

7 **(D) Payment of the Keybank Note**

8 The balance owed on the Keybank Note, together with all accrued interest and
9 fees and costs due thereunder shall be paid on or before 60 months following the Effective
10 Date.

11 **(E) Loan Documents Remain in Effect**

12 The Keybank Note and the Keybank Security Interest shall remain in full force
13 and effect, except as modified or by otherwise inconsistent with the Plan in which event the
14 terms of this Plan shall supersede.

15 **(F) Plan Default**

16 In the event of a default by the Debtor under the Plan, and in the event Debtor
17 fails to cure such default within 15 business days after the delivery of notice to the Debtor and
18 Debtor’s counsel, Keybank shall be entitled to enforce all of the terms of the Keybank
19 Security Interest and the Keybank Note, in addition to all rights available under Nevada law.

20 **4.12 Class 12 (GMAC):**

21 The GMAC Secured Claim shall be treated under the Plan as follows:

22 **(A) Amount of the GMAC Secured Claim**

23 The amount of the GMAC Secured Claim shall be equal to the balance owed
24 on the GMAC Note as of the Confirmation Date, including accrued interest and reasonable
25 attorney’s fees.

26 **(B) Retention of Security Interest in Property and Rents**

27 GMAC shall retain its security interest in the Hummer as evidenced by the
28 GMAC Security Interest in order to secure the GMAC Note.

1 **(C) Payment of the GMAC Secured Claim**

2 The GMAC Secured Claim shall bear interest at the rate of 4.25% per annum
3 from and after the Effective Date, or such other rate as the Court shall determine is
4 appropriate at the Confirmation Hearing (the GMAC Interest Rate”) amortized over 60
5 months on or before the 15th day of each month commencing on the 15th day of the next month
6 following the Effective Date, the Debtor shall pay to GMAC the monthly payment.

7 **(D) Payment of the GMAC Note**

8 The balance owed on the GMAC Note, together with all accrued interest and
9 fees and costs due thereunder shall be paid on or before 60 months following the Effective
10 Date.

11 **(E) Loan Documents Remain in Effect**

12 The GMAC Note and the GMAC Security Interest shall remain in full force and
13 effect, except as modified or by otherwise inconsistent with the Plan in which event the terms
14 of this Plan shall supersede.

15 **(F) Plan Default**

16 In the event of a default by the Debtor under the Plan, and in the event Debtor
17 fails to cure such default within 15 business days after the delivery of notice to the Debtor and
18 Debtor’s counsel, GMAC shall be entitled to enforce all of the terms of the GMAC Security
19 Interest and the GMAC Note, in addition to all rights available under Nevada law.

20 **4.13 Class 13 (Unsecured Claims):**

21 Allowed unsecured claims shall not bear interest, and shall be paid as set forth
22 in Section 6.1 below.

23 **5. TREATMENT OF UNCLASSIFIED CLAIMS**

24 **5.1 Administrative Claims**

25 Claims arising during the administration of the Debtor’s Chapter 11 case and entitled
26 to priority under Section 507(a)(1) of the Bankruptcy Code are not classified under the Plan.
27 Holders of such claims shall be paid in full on the latter of the Effective Date, or fifteen (15)
28 days after entry of an order creating an Allowed Administrative Claim, unless holders of an

1 Allowed Administrative Claim agree to alternative treatment. Administrative claims will be
2 paid from cash available on the Effective Date.

3 **5.2 Priority Claims**

4 Holders of Allowed Priority Claims shall be paid as specifically set forth in Section 6
5 below.

6 **5.3 Executory Contracts and Unexpired Leases**

7 _____The Debtor leases real property and various equipment and other personal property
8 used in its business. A schedule of all leases to which the Debtor is a party is set forth in
9 **Exhibit "A"** attached hereto. The Bankruptcy Code grants the Debtor the power, subject to
10 the approval of the Bankruptcy Court, to assume or reject executory contracts and unexpired
11 leases. If an executory contract or unexpired lease is rejected, the non-debtor party to the
12 agreement may file a claim for damages incurred by reason of the rejection.

13 The Debtor either (i) cures and assumes the lease as indicated; or (ii) exercises its
14 purchase option under the terms indicated. Entry of an order confirming this Plan constitutes
15 approval of the treatment of each executory contract as set forth in the Lease Schedule. Under
16 all leases containing such provision, the Debtor may chose not to exercise an option to
17 purchase the personal property upon the maturity or termination of any lease in its own
18 discretion according to the terms of the particular lease.

19 **5.4 Fees to the United States Trustee**

20 All fees required to be paid to the United States Trustee will be paid in full upon
21 confirmation of the Debtor's Plan, and shall remain current until the case is fully
22 administered, closed, converted or dismissed, whichever occurs first.

23 **5.5 Disputed Claims**

24 All payments hereunder to creditors whose claims are not liquidated or are disputed
25 shall be paid into a segregated trust account until such claims are an Allowed Claim, in which
26 case the proceeds shall be disbursed, or such claim shall be disallowed.

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1 **6. MEANS OF IMPLEMENTING AND FUNDING THE PLAN**

2 **6.1 Funding of Plan**

3 The Plan will be funded by the Debtor's income from the ongoing operation of its
4 business. The Debtor will commence its payments to fund the Plan (the "Plan Fund") thirty
5 days following the Effective Date in the amount of \$5,000 per month. Payments shall be
6 distributed in the following order of priority:

- 7 a) Any unpaid Allowed Administrative Claims shall be paid first from the Plan
8 Fund.
- 9 b) Secondly, the Internal Revenue Service and the Nevada Department of
10 Taxation together with interest as allowed under the applicable federal or state
11 statute. Payments to the priority creditors shall be prorata and disbursed on a
12 monthly basis until paid in full. All payments shall be first applied to the trust
13 fund portion of any taxes owed.
- 14 c) Thirdly, the Debtor shall make quarterly prorata distributions from the Plan
15 Fund to the Allowed Classes 1 through 12, commencing on the 1st day of the
16 fourth month following payment in full of the priority tax claims as described
17 above, and continuing on the first day of every third month thereafter until the
18 Allowed Classes 1 through 12 secured creditors described above are paid in
19 full. Any prorata payment to creditors whose claims are disputed shall be paid
20 into a segregated trust account until such claims are an allowed claim, in which
21 event the proceeds shall be disbursed, or such claims shall be disallowed, in
22 which case such sums shall be included in the next disbursement to creditors.

23 **6.2 Revesting of Assets in the Debtor**

24 Upon confirmation of the Plan, all property of the estate of the Debtor shall be revested
25 in the Debtor, pursuant to 11 U.S.C. § 1141(c), which shall retain such property as the
26 Reorganized Debtor free and clear of all claims and interests of the creditors, except as set
27 forth in the Plan.

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1 **6.3 Disbursing Agent**

2 The Debtor will serve as disbursing agent and shall disburse all property to be
3 distributed under the Plan. The disbursing agent may employ or contract with other entities
4 to assist in or to perform the distribution of the property and shall serve without bond.

5 **6.4 Post-Confirmation Litigation**

6 Debtor does not anticipate any post-confirmation litigation.

7 **6.5 Post-Confirmation Default**

8 In the event the Debtor becomes delinquent in any payment or obligation under the
9 Plan, the affected creditor or creditors may provide written notice of such default to the
10 Debtor and its counsel at the following addresses:

11 Alan R. Smith, Esq.	Joseph W. Arriola
12 505 Ridge Street	970 Bible Way
Reno, Nevada 89501	Reno, Nevada 89502

13 The Debtor shall thereafter have ten (10) business days from receipt of said notice in which
14 to cure the default. In the event such default remains uncured, the affected creditor or
15 creditors may bring the matter before the Bankruptcy Court. At any hearing, the Bankruptcy
16 Court may consider the reason for the default and the ability of the Debtor to bring the
17 payment(s) current in a reasonable period of time. The Bankruptcy Court may also consider
18 conversion of the case to a Chapter 7 of the Code or dismissal if the same is in the best
19 interests of creditors.

20 **7. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN**

21 The Debtor believes that there are no federal income tax consequences peculiar to its
22 Plan. EACH HOLDER OF A CLAIM IS STRONGLY URGED TO CONSULT WITH
23 HIS/HER TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL AND
24 FOREIGN TAX CONSEQUENCES OF THE PLAN.

25 **8. MISCELLANEOUS PROVISIONS**

26 (a) Any creditor who failed to file a proof of claim on or before any Court imposed
27 claims bar date, shall be barred from participating in any distribution under the Plan, and the
28 Debtor shall have no further liability for such claim.

(b) Following the Effective Date, the Debtor may continue to employ counsel for necessary legal services. Counsel may be paid from the Debtor without further order of the Court.

9. RETENTION OF JURISDICTION

The Bankruptcy Court shall retain jurisdiction for the following specific purposes:

- (a) For the purpose specified in § 1142 of the Bankruptcy Code;
- (b) The consideration of claims and such objections as may be filed to the claims of creditors pursuant to § 502 of the Bankruptcy Code, and to file and prosecute any counterclaims against such creditors;
- (c) The fixing of compensation for the parties entitled thereto;
- (d) To hear and determine the amount of all encumbrances or the recovery of any preferences, transfers, assets or damages to which the Debtor's estate may be entitled under applicable provisions of the Bankruptcy Code or other federal, state, or local law;
- (e) To reinstate the automatic stay pending a determination of the amount owed on any secured claim;
- (f) To hear and decide all causes of action now held by the Debtor, or disclosed in the Plan or Disclosure Statement;
- (g) To hear and decide all adversary proceedings or contested matters currently pending in the Bankruptcy Court, or which may be filed prior to or after plan confirmation;
- (h) To resolve any disputes regarding interpretation of the Plan;
- (i) To implement the provisions of the Plan, including all provisions in the Plan which specify the retention of jurisdiction, and to make such further orders as will aid in consummation of the Plan, including the sale of any property after Plan confirmation;
- (j) To adjudicate controversies regarding property of the Debtor's estate and regarding ownership thereof, including adjudication of causes of action which constitute property of the estate;
- (k) To modify this Plan in accordance with § 1127 of the Bankruptcy Code; and
- (l) Enter a final decree and order closing the case.

1 **10. MODIFICATION OF PLAN**

2 The Debtor may modify the Plan with regard to the treatment of any creditor class, in
3 connection with any agreement or settlement with such creditor class or in order to comply
4 with requirements of the Code as established by the Court, provided such modification does
5 not materially adversely affect any other class of creditors. Such modifications may be
6 reflected in the order confirming the Plan of Reorganization. Any other modification of the
7 Plan shall be in accordance with § 1127 of the Code.

8 **DATED** this 17th day of December, 2010.

9 LAW OFFICES OF ALAN R. SMITH

10 By: /s/ Alan R. Smith
11 ALAN R. SMITH, ESQ.
12 Attorney for Debtor
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